

Do your clients need a layer of funding to make it happen?

In these unprecedented times it's vital that we focus on hunting for solutions rather than wallowing in the pits of Bank Bashing – a NACFB broker has come up with a unique solution for an issue we all face daily.



Nic Rotton, Strata Finance

The Problem

Banks are very cautious at the moment and their serviceability models restrict their lending to 60 or 65%. This is understandable in these challenging times, however, it doesn't mean that the request we have asked them to

support is inherently bad.

We have all felt the frustration of the "constructive decline" – the Offer letter from the lender which is considered a sanction on their books but prevents you and your commercial property transaction from completing. This leaves a property unsold; your clients dreams on hold; and you, the legal team, the valuer and even the Bank itself, with a potential payday tantalisingly close – all for the need of that extra 10%.

The Solution

Strata Finance Limited is a new venture which is designed to be simple and completely transparent. If the bank can't provide the level of funding you require, then mezzanine finance could be the solution.

We have a database of individuals and companies who have cash surpluses and who are increasingly exasperated by the lack of return they are receiving. They are looking for well thought through property transactions which have passed the due diligence for a main lender but the amount sanctioned is insufficient to allow full completion.

They are looking to lend to these projects by taking a formal second charge on the property as security which will sit behind the main lender. They will be charging a higher rate of return

considering the risk involved although the overall payrate for finance is not hugely increased as this higher cost is only on the mezzanine element. They are not looking to take any form of equity stake in your business.

Strata Finance is bringing these two elements together through a mezzanine property portal at www.stratafinance.co.uk and this is open for business.

The second charge commercial property market is seen as our core market with investors being looked to commit for typically 12-24 months whereby repayment can come from a variety of sources dependent on the type of transaction involved, for example a development deal would see the investor repaid from sales whilst a purchase deal from a potential refinance through the prime lender or a simple re-broking exercise.

Loans Vs. Equity

Loans have two advantages over equity: borrowers do not have to give up ownership of the business, and in the long run it is usually cheaper to borrow money than to sell shares. For lenders, a loan gives immediate returns in the interest paid and usually allows a faster exit. In addition the loan has the benefit of formal security by way of second charge that reduces the risk involved.

The Process

The process is for a broker who introduces a deal to the site to be "tagged" to that client borrower and for that matter any investors and then when a deal is completed involving any of their "taggees" we will ensure you are the first to know.

Initially you provide us with the details of the transaction and what has been agreed by the primary lender. If we believe we can support you we will guide you through a simple and jargon-free process that puts your client's proposal in front of a significant number of experienced and successful individuals in complete confidence.

There is no red tape and no pressure.

We monitor interest and will target specific investors who have an appetite for your particular project or sector and location. We will liaise initially between any interested investors and yourself and will arrange any meetings. Strata Finance's structured formats and powerful search criteria enable a potential investor to find out exactly what they need to know quickly and accurately. Everyone gets a fair chance and the final decision is up to the investor.

How do you benefit?

- Ultimately the marriage of a borrower with an investor will ensure a much greater payday as that "constructive decline" now will become a usable Offer Letter.
- For the broker who introduced the borrower the primary benefit will be being paid your fee for the original deal.
- It also means you keep your client as he hasn't been tempted to drift to your competitors in desperation.
- We are also able to provide an additional pay-away for introducing the deal to us.
- We believe the other key element is that any investor is committing to 18-24 months and the opportunity to rebroker the deal at that time provides an excellent secondary income.

Visit the website or call us – you have nothing to lose except your commission
www.stratafinance.co.uk
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